

FISCAL NOTE

SB 2001 - HB 2004

January 11, 2000

SUMMARY OF BILL: Exempts from Sales and Use Tax items used in a Spallation Neutron Source facility which is funded by the United States government or any instrumentality thereof. Items that are exempt from the tax include: 1) Any property that becomes a component part of or is used exclusively in the operation or repair of the facility; 2) Any services, materials or items furnished or supplied to the facility and used exclusively in the operation of the facility; and 3) Any property, services, building materials or other items used exclusively in the construction, operation or repair of the facility or its operations. The sales tax exemption would apply regardless of whether the exempted property or service is leased or purchased. The bill would take effect upon becoming law.

ESTIMATED FISCAL IMPACT:

Forgo State Revenues - \$3,636,000 - FY 00/01
\$16,944,000 - Total for FY01/02 through FY06/07

Forgo Local Govt. Revenues - \$1,364,000 - FY00/01
\$6,356,000 - Total for FY01/02 through FY06/07

Estimate assumes the following:

- The total estimated amount of tax revenues which state and local governments would forego over the seven year construction period is \$28,300,000 of which an estimated \$20,580,000 would be state revenues and \$7,720,000 would be local government revenues.
- The estimated sales tax revenues state and local governments will forgo after the facility is operational for the purchase of supplies and materials necessary for the operation of the facility cannot be determined but is estimated to exceed \$100,000 in state revenues and exceed \$37,500 in local government revenues.

For informational purposes the following data is provided:

- (1) The University of Tennessee's Center for Business and Economic Research has estimated that construction and operation of the Spallation Neutron Source facility would have a positive impact on the state's economy of approximately \$69.9 million during the construction phase and \$47.4 million on a recurring basis after the facility is fully operational.
- (2) Based on information outlined in the FY2000 Congressional Budget, in order for funds to be appropriated to build and operate the facility in a state, taxes and fees cannot exceed the aggregate of taxes and fees for which the federal government would be liable if the project were located in any other state.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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